PROVINCE OF SASKATCHEWAN

2008

ANNUAL REPORT

PUBLIC EMPLOYEES DISABILITY INCOME FUND

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2008.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Disability Income Fund for the year ending December 31, 2008.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Disability Income Fund

Introduction

The Public Employees Disability Income Plan was established in 1978.

The Plan provides long-term disability benefits to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

As at December 31, 2008 there were approximately 11,800 insured employees.

DIP Advisory Council

Brian Smith, Chair
Saskatchewan Finance (PEBA)

Jeannie Essey
SaskPower

Dawn McKibben
Public Service Commission

Carolynne Warner
SaskTel

Norma Reynolds
Public Service Commission

Dan Bailey
SaskEnergy
CEP Local 649

Amanda Freistadt
SaskTel
CEP Locals 1S, 2S & 3

Michael Friebe
CUPE 600

Participating Employers

The following employers participate in The Government of Saskatchewan Disability Income Plan:

Board of Arbitration under The Surface Rights Acquisition and Compensation Act (The)
Cafeteria Board of Saskatchewan
Chief Electoral Office (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Information and Privacy Commissioner (Office of the)
Information Services Corporation of Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
Milk Control Board
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services
Prairie North Regional Health Authority
Provincial Auditor (Office of the)
Regina Qu'Appelle Regional Health Authority
Residential Tenancies (Office of the)
Safe Saskatchewan
Sask Pork
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Cancer Foundation
Saskatchewan Centre of the Arts
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Film and Video Development Corporation
Saskatchewan Human Rights Commission

Saskatchewan Institute of Applied Science and Technology
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
Sun Country Regional Health Authority
Tourism Authority
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by The Public Service Act, 1998 excluding employees covered by the Saskatchewan Government and General Employees' Union
Ombudsman
Provincial Auditor
Supervising Justice of the Peace, appointed under section 3 of The Justices of the Peace, Act, 1988

Administration

The Public Employees Disability Income Plan is self-insured and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The Disability Income Plan Advisory Council has been established under Section 16 of *The Government Organization Act* and is comprised of an equal number of management and union representatives appointed by Minister's Order. The Co-operators Life Insurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

The Occupational Rehabilitation Group of Canada (ORGOC) and Northern Rehabilitation and Consulting Services Inc. (NRCS) provide rehabilitation services to the Plan.

Investment Management Services

The Minister of Finance is authorized to invest money of the Disability Income Fund in any class of investments authorized for the investment of moneys in the general revenue fund.

Co-operators Investment Counselling Limited invests the monies of the Fund under a contract to provide services. The Fund pays management fees to Co-operators Investment Counselling Limited.

Funding

Employees and employers pay premiums monthly. Employees contribute 0.48% of their basic monthly salary and employers contribute between 0.544% and 0.571%. For some plan participants the employer pays 100%.

Benefits

After serving a Qualifying Period of 119 calendar days, the gross monthly disability benefit is equal to 75% of pre-disability basic monthly salary.

Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability.

Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue.

Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

Premiums/Claims Experience

	Dec. 31, 2008	Dec. 31, 2007
Premiums	$8,048,723	$7,524,066
Claims	$9,925,481	$8,235,012
# Active Claims	323	272

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Disability Income Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The actuary has prepared a valuation report on the provision for claims payable of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management. This report has been used in the preparation of the financial statements.

We believe the Public Employees Disability Income Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The Disability Income Plan Advisory Council was established in 1978 and is comprised of an equal number of management and labour representatives. It is responsible for reviewing policies and procedures governing the operations of the Disability Income Plan, address appeals where benefits have been declined by the insurance carrier and oversee management of the investment fund.

We enclose the financial statements of the Public Employees Disability Income Fund for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 16, 2009

Actuaries' Opinion

With respect to the Public Employees Disability Income Plan, we have prepared an actuarial valuation as at December 31, 2008 for the purpose of determining the necessary actuarial information for financial statement reporting. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation; and
- the actuarial cost methods employed are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Consulting Inc.

March 16, 2009

Public Employees Disability Income Fund

Financial Statements

Year Ended December 31, 2008

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Disability Income Fund as at December 31, 2008 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 16, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Public Employees Disability Income Fund
Statement of Financial Position **Statement 1**

As At December 31

		2008		2007
ASSETS				
Current Assets:				
Cash	$	398,254	$	42
Due from Co-operators Life Insurance Company (Note 4)		207,735		–
Accounts receivable		360,393		566,865
		966,382		566,907
Investments (Note 2d, 3)		64,145,227		73,286,626
Total Assets	$	65,111,609	$	73,853,533
LIABILITIES AND NET ASSETS				
Due to Co-operators Life Insurance Company (Note 4)	$	–		1,631,489
Accounts payable		119,207		112,138
Employer premium payable		114,370		199,110
Provision for claims payable (Note 5)		77,379,000		65,898,000
Total Liabilities		77,612,577		67,840,737
Net (Deficit) Assets (Statement 2)		(12,500,968)		6,012,796
Total Liabilities and Net Assets	$	65,111,609	$	73,853,533

Contingencies (Note 7)

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund
Statement of Operations and Net Assets

Statement 2

Year Ended December 31

	2008 Budget (Note 10)	2008 Actual	2007 Actual
REVENUE			
Premiums	$ 8,057,000	$ 8,048,723	$ 7,524,066
Investment income (loss)	4,302,150	(3,763,537)	900,940
	12,359,150	4,285,186	8,425,006
EXPENSE			
Disability benefits	8,539,000	9,925,481	8,235,012
Change in provision for claims payable (Note 5)	-	11,481,000	4,373,000
Administration (Note 6)	945,558	803,017	824,895
Adjudication fees	331,400	409,132	317,468
Investment management fees	205,200	180,320	190,383
	10,021,158	22,798,950	13,940,758
(Deficit) surplus for the year	2,337,992	(18,513,764)	(5,515,752)
NET ASSETS, BEGINNING OF YEAR	6,012,796	6,012,796	11,528,548
NET (DEFICIT) ASSETS, END OF YEAR – Statement 1	$ 8,350,788	$ (12,500,968)	$ 6,012,796

(See accompanying notes to the financial statements)

Public Employees Disability Income Fund
Statement of Cash Flows

Statement 3

Year Ended December 31

	2008	2007
Cash flows (used in) from operating activities:		
Premiums received	$ 8,210,378	$ 7,639,115
Disability benefits paid	(9,957,247)	(8,243,210)
Administration expenses paid	(796,464)	(810,565)
Adjudication fees paid	(419,231)	(307,942)
	(2,962,564)	(1,722,602)
Cash flows from (used in) investing activities (Note 2d, 3):		
Proceeds from investments	5,200,000	2,500,000
Purchase of investments	–	(2,500,000)
Net increase (decrease) in cash	2,237,436	(1,722,602)
CASH, BEGINNING OF YEAR	(1,631,447)	91,155
CASH, END OF YEAR	$ 605,989	$ (1,631,447)
Balance consists of:		
Cash	$ 398,254	$ 42
Due from (to) Co-operators Life Insurance Company (Note 4)	207,735	(1,631,489)
Cash, end of year	$ 605,989	$ (1,631,447)

(See accompanying notes to the financial statements)

December 31, 2008

1. Description of Fund

The Public Employees Disability Income Fund (PEDIF) is a special purpose fund used to account for the transactions of the Disability Income Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides a level of income protection during periods of occupational or total disability. Plan participants are certain employees of the public service of the Province of Saskatchewan and Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Plan is administered under the terms of an agreement with the Co-operators Life Insurance Company (Co-operators).

<u>Premiums</u>
Employees and employers pay premiums monthly. Employees contribute 0.48% of their basic monthly salary and employers contribute between 0.544% and 0.571%. For some plan participants the employer pays 100% of the employees' contributions.

Effective June 1, 1994, the Plan began paying employers' contributions to the Public Employees Pension Plan (Pension Plan) for employees who belong to that Pension Plan and receive disability benefits. All participating employers are required to pay 0.06% of basic monthly salary for all its employees to the Plan to cover these contributions. The Plan includes the contributions to the Pension Plan in disability benefits expense and the additional contributions paid by employers in premium revenue in the statement of operations and net assets.

In 2005, the Plan adopted a policy of full recovery of pension contributions it pays the Pension Plan for employees receiving disability benefits. Under the policy, the Plan recovers the difference between the actual amount paid to the Pension Plan and the premium received. As a result, it refunds an amount equal to the employees' contribution to the Pension Plan for those employers whose employees receiving disability do not participate in the Pension Plan. Also, it charges additional premiums to employers when the employees' contribution to the Pension Plan is more than the premium received.

The refunds of the required premium, and the additional premiums, are recorded in premium revenue in the statement of operations and net assets.

<u>Benefits</u>
After a qualifying period of 119 calendar days, a disabled employee receives a gross monthly disability benefit equal to 75% of pre-disability basic monthly salary. Benefits are initially payable while an employee is occupationally disabled (unable to work at his/her own occupation). This period covers 24 months from the date of disability. Thereafter, the employee must be totally disabled from any reasonable occupation for benefits to continue. Benefits will continue under the total disability provision until the earlier of return to work, death, age 65 or retirement.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as another government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Change in accounting policies

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments - Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments - Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addressed disclosure requirements, there is no change in net assets.

Section 3862 and 3863 replaced Handbook section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Plan's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's net assets.

b) Premiums revenue

Premiums are recognized as revenue when due.

c) Disability benefits expense

Disability benefits expense is recognized commencing in the year the claim occurred.

d) Investments

The investments are held by the Co-operators Life Insurance Company on behalf of PEDIF in a segregated fund. All investments in the segregated fund are valued at fair value. The fair value of short-term notes is based on cost. The cost of short-term notes plus accrued interest approximates their market value. Canadian government and corporate bonds, Canadian and US equities, and non-North American equities are valued at the closing bid price. The market values of investments in foreign currencies are translated into Canadian dollars at the closing rate of exchange on the valuation date. The purchase and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

e) Provision for claims payable

The provision for claims payable represents the present value of future payments arising from claims made prior to year-end. This provision includes an estimated amount for

claims incurred but not yet reported at year-end. The provision for claims payable is determined pursuant to an actuarial valuation. Any resulting change in this liability is recognized as a revenue or expense in the statement of operations and net assets.

f) Use of estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision for claims payable – see Note 5.

g) Financial instruments

Receivables and payables are measured at amortized cost. The investments held by Co-operators Life Insurance Company on PEDIF's behalf are measured at fair value.

The carrying value of financial instruments approximates their fair value. Changes in fair value are recognized in the Statement of Operations and Net Assets.

h) Future accounting policy changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. At that time, the Plan will effectively cease to use Canadian GAAP and will adopt IFRS. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements.

3. Investments

At December 31, 2008, the investments held on behalf of PEDIF by the Co-operators Life Insurance Company in the segregated fund consist of short-term notes, Canadian government and corporate bonds, Canadian and US equities. The investments are subject to interest rate risk, credit risk, market risk, and foreign exchange risks. In accordance with the Plan's Statement of Investment Policy and Goals, PEBA limits these risks by regulating the aggregate and individual investments limits, by setting quality parameters of investments, and by setting other constraints.

Co-operators does not remit the investment income to PEDIF; it reinvests the income, net of management fees, in the segregated fund.

4. Due from / to Co-operators Life Insurance Company

According to the agreement between PEBA and Co-operators, Co-operators has established an account for receipt of PEDIF's premiums and payment of claims and administrative expenses. The balance in this account represents monies due from Co-operators to PEDIF. A balance due to Co-operators results when the claims and administrative expenses exceed the premium receipts.

5. Provision for Claims Payable

An actuarial valuation was performed by Aon Consulting Inc. as at December 31, 2008 and as at December 31, 2007 to determine the liability for the future cost of existing claims of disabled members. The valuation includes a provision for claims incurred but not yet reported. The actuarial valuation of claims as at December 31 and the principal components of the change in actuarial valuation during the year were as follows:

	2008	2007
Actuarial valuation, beginning of year	$65,898,000	$61,525,000
Interest on previous liability	3,624,000	3,075,000
Mortality and termination experience (gain)	(3,000,000)	(4,510,000)
Change in assumptions	(1,537,000)	(1,463,000)
New claims	21,127,000	14,950,000
Expected benefits payments	(8,733,000)	(7,679,000)
Actuarial valuation, end of year	$77,379,000	$65,898,000

The valuation is based on the following assumptions: 1) the allowance for claim termination is based on the Canadian 1988 to 1994 Termination Rates published by the Canadian Institute of Actuaries adjusted for experience; 2) the interest rate assumed is 6.0% (2007 – 5.5%); 3) the inflation rate assumed is 2.5% (2007 – 2.5%) for all future years.

The amount of benefits payable under the Plan may be increased on October 1 each year. The increase in benefits is indexed, subject to a maximum of 3% per annum, to the Consumer Price Index for the year ending on the immediately preceding July 1.

If the valuation assumed no indexing of benefits each year, the liability at December 31, 2008 would be $66,398,000 (2007 - $56,100,000).

The liability for claims is based on a number of assumptions about future events including: recovery and mortality rates, interest rates and expected benefits from other sources. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate, cost of living adjustment and recovery rates.

- a 1% change in interest rate equals a 5.8% change in the liability including the cost of living adjustment as determined by the consumer price index
- a change in the cost of living adjustment of 1% equals a 6.1% change in the liability
- a 10% change in recovery rates equals a 4.4% change in the liability

The provision for claims payable is long-term in nature and there is no market for settling these obligations. Therefore, it is not practical to determine the fair value of the provision for claims payable.

6. Administration Expenses

PEBA administers PEDIF for a mutually agreed upon fee.

7. Contingencies

PEDIF is a party to a number of lawsuits initiated by claimants relating to disability benefits. The ultimate outcome of these lawsuits is not yet determinable. Accordingly, no liability has been recorded in these financial statements. Liabilities arising from the resolution of these lawsuits will be accounted for in the year the lawsuits are settled.

8. Investment Performance

PEDIF's investments are represented by the amounts held by Co-operators Life Insurance Company (see note 2d, 3). Following is a summary of the investment performance:

	2008	Four year annualized return
Actual (a)	(5.5%)	3.9%
Benchmark (b)	(7.1%)	2.9%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is PEDIF's target rate of return for its segregated fund. The benchmark return is based on the performance of PEDIF's planned investment portfolio for its segregated fund.

PEBA can invest money of the PEDIF in any securities authorized for investment pursuant to PEDIF's Statement of Investment Policies and Goals (Statement). PEBA has made an agreement with Addenda Capital Inc. (formerly Co-operators Investment Counselling Ltd.) to invest the monies of PEDIF in the Co-operators segregated fund consistent with the Statement. PEDIF pays management fees to Addenda Capital Inc. for providing this service.

9. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually. The investment policy provides guidelines to the Plan's investment manager for the asset mix of the portfolio regarding

quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. PEBA reviews regular compliance reports from its investment manager as to its compliance with the investment policy. PEBA also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the investment policy.

Credit risk

The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $'s) 2008 Carrying value	2007 Carrying value
Accounts receivable	$ 360	$ 567
Due from Co-operators Life Insurance Company	208	-
Investment[1]	42,690	47,581

[1] Bonds & short-term investment held on behalf of PEDIF in a segregated fund.

Accounts receivable are primarily made up of employee and employer contributions receivable. Employee and employer contributions receivable are generally received within 30 days.

Credit risk within investments is primarily related to the Money Market Pooled Fund and the Fixed Income Pooled Fund. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease the net assets available for benefits by $3.0 million at December 31, 2008, representing 7.0% of the $42.6 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar exchange through its U.S. equities. Exposure to U.S. equities is limited to a maximum 18% of the market value of the total investment portfolio. At December 31, 2008, the Plan's exposure to U.S. equities was 9.3% (2007 – 10.8%).

At December 31, 2008, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.6 million decrease in net assets available for benefits.

Equity prices

The Plan is exposed to changes in equity prices in Canadian and U.S. markets through its equity investments. Equities comprise 18.5% (2007 – 34.7%) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated to the increase in net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2008:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	**$ 586**	**$ (586)**
S&P 500 Index	**593**	**(593)**

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and claims payable are due within one year.

10. Budget

The annual budget was approved by the Disability Income Plan Advisory Council.

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to PEDIF by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

Due to the nature of PEDIF, substantially all premiums are received from related parties.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2008	2007
Accounts receivable	$311,876	$561,520
Accounts payable and Employer premium payable	$206,427	$284,613

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.